

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 483 – HB 738

March 9, 2011

**SUMMARY OF AMENDMENT (004575):** Deletes the original bill. Enacts the Annual Coverage Assessment Act which establishes an annual coverage assessment on hospitals of 4.52 percent of a covered hospital's annual coverage assessment base and shall be paid in equal quarterly installments. The Bureau of TennCare will send a notice of payment and a return form to each covered hospital 30 days prior to the payment date. Imposes a penalty of \$500 per day on a hospital that does not pay the assessment by the due date. Creates provisions for the collection of assessments if a hospital ceases to operate after the effective date of the Act. Prohibits a covered hospital from increasing charges or adding surcharges based on or as a result of the annual coverage assessment. Prohibits a TennCare managed organization from implementing across the board reductions in rates that are in existence on July 1, 2011, for hospitals and physicians by category or type of provider unless mandated by the Centers for Medicare and Medicaid Services (CMS). Creates the Maintenance of Coverage Trust Fund consisting of all annual coverage assessment collections and investment earnings credited to the assets of the Fund. Funds collected along with federal matching funds shall be expended for benefits and services that would have been subject to reductions or eliminations from the FY10-11 TennCare budget and for one-time funding for specific TennCare programs in FY11-12.

The implementation of the annual coverage assessments is dependent on approval by CMS. Critical access hospitals, state mental hospitals, rehabilitation and long-term acute hospitals, St. Jude Children's Research Hospital, and state and local government hospitals are exempt from the annual coverage assessment. Beginning September 1, 2011 and on a quarterly basis thereafter, TennCare is required to report the status of the determination and approval by CMS, the balance of the funds, and the extent to which the funds have been used, to the Select Oversight Committee on TennCare, both Finance, Ways, and Means Committees, the Senate General Welfare, Health, and Human Resources Committee, and the House Health and Human Resources Committee. The provisions of the bill will take effect July 1, 2011 and will expire on June 30, 2012.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SB 483 – HB 738

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Revenue – \$449,822,200/FY11-12/**

**Maintenance of Coverage Trust Fund**

**Increase State Expenditures – \$449,822,200/FY11-12/**

**Maintenance of Coverage Trust Fund**

**Increase Federal Expenditures – \$870,544,400/FY11-12/**

**Maintenance of Coverage Trust Fund**

Assumptions applied to amendment:

- According to the Bureau of TennCare, the 4.52 percent annual coverage assessment on hospital net revenues (as reported to CMS) will result in an increase in revenue to the Maintenance of Coverage Trust Fund (MCTF) of \$449,822,153.
- Approximately \$297,930,708 of this amount will be expended towards replacing the proposed budget cuts that would have taken effect on July 1, 2011, and \$151,891,446 will be expended towards hospitals for unreimbursed costs of providing services to TennCare enrollees.
- According to the Bureau, the \$291,930,708 will be expended at a state rate of approximately 33.767 percent and will receive federal matching funds at a rate estimated at 66.233 percent resulting in an increase in federal funds of approximately \$572,613,692.
- The bill as amended requires \$16,000,000 be provided to the critical access hospitals. According to TennCare, \$6,000,000 of this amount will be 100 percent state funds and will not receive a federal match because it is above the limit within the federal waiver.
- The total increase in expenditures in the MCTF toward replacing the budgeted reductions as specified in the proposed bill will be \$870,544,400 [(\$291,930,708 + \$6,000,000 state funds) + \$572,613,692 federal funds].
- According to the Bureau, the \$151,891,446 will be expended at a state rate of approximately 33.767 percent and will receive federal matching funds at a rate estimated at 66.233 percent resulting in an increase in federal funds of approximately \$297,930,707 for a total increase in expenditures of \$449,822,153 in the MCTF to be expended towards unreimbursed costs of providing services to TennCare enrollees.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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